



ISSUE BRIEF

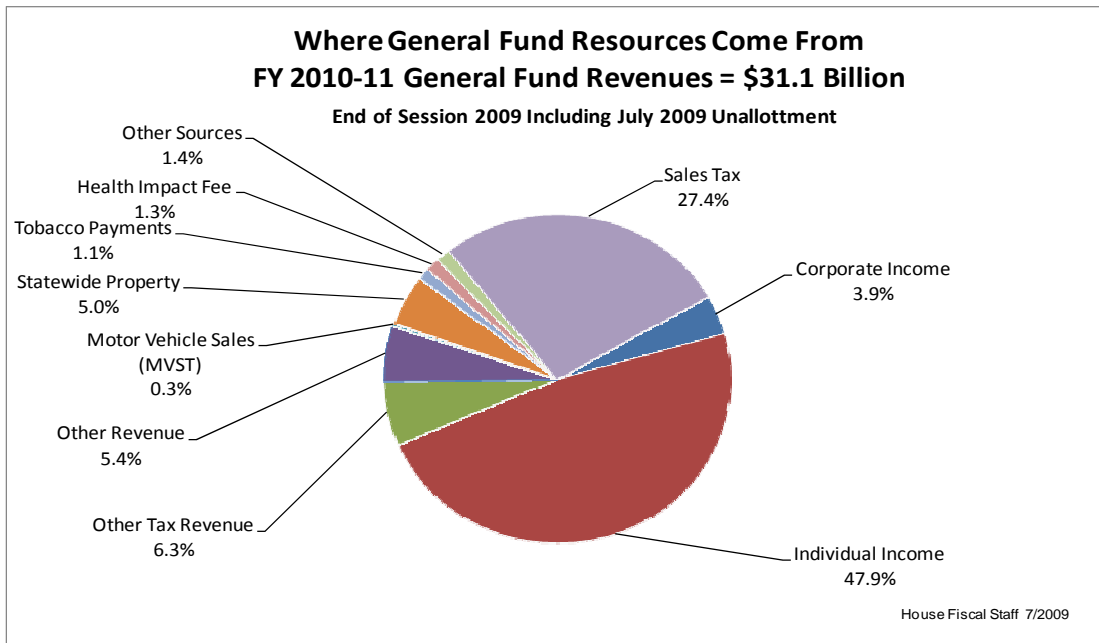
State General Fund Budget Situation
August 2009

At the end of the 2009 session, the Governor vetoed a bill that raised revenues and implemented shifts of education aid payments and shifts of when school districts recognized property tax revenues. Those actions left a \$2.676 billion deficit for the FY 2010-11 biennium. The Governor has unallotted (cut) appropriations and taken other administrative actions to offset that deficit.

The Current Biennium – FY 2010-11

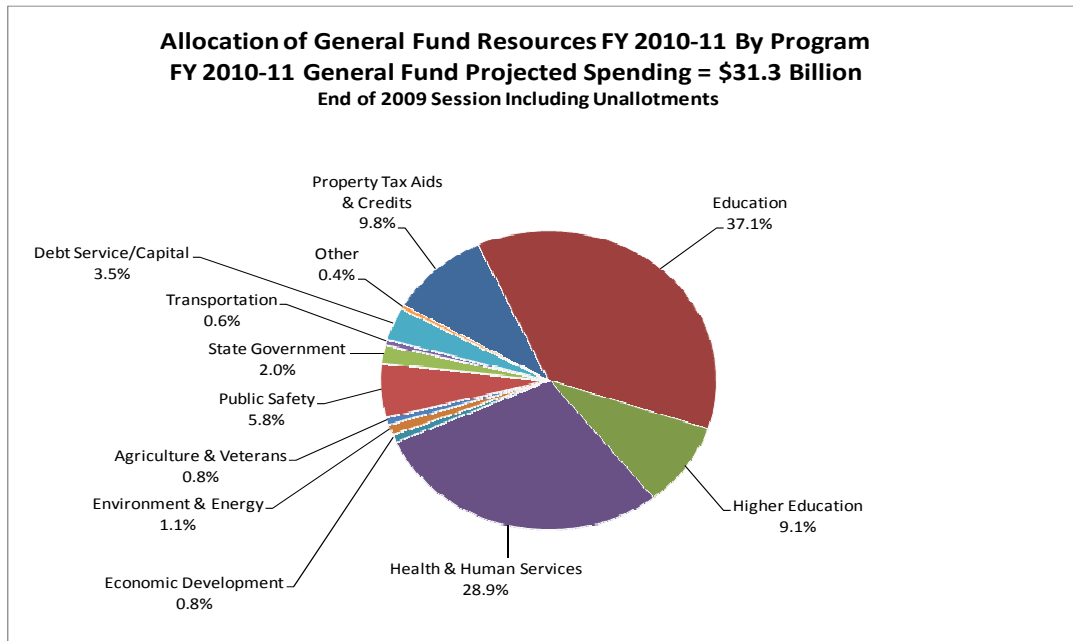
The budget for FY 2010-11 (the two fiscal year (FY) biennium that began July 1, 2009 and ends June 30, 2011), after the Governor’s unallotments and other actions, anticipates \$31.1 billion in revenues and \$31.3 billion of spending.

Major general fund revenue sources are illustrated in the graph below:



The budget reserve is \$0 and the cash flow account is \$350 million. Spending in FY 2010-11 can be higher than revenue because the balance from the FY 2008-09 biennium carries forward into FY 2010-11. At the end of session that balance forward was projected to be \$187 million but preliminary end of FY 2009 revenue information indicates it could be about \$150 million less.

Major categories of general fund spending for the FY 2010-11 biennium are illustrated below.



The Next Biennium – FY 2012-13

At the end of the 2009 legislative session, projected spending for the FY 2012-13 biennium exceeds projected revenue by \$3.105 billion. The Governor’s unallotment actions shifted some spending from FY 2010-11 into FY 2012-13 increasing the FY 2012-13 deficit to \$4.431 billion. Expenditures for FY 2012 and 2013 are set at essentially the same level as in FY 2011 except that appropriations for those programs where a formula or entitlement is set in law are adjusted to reflect the amounts needed to fund that formula or entitlement.

FY 2012-13 General Fund

Projected Revenue	\$34.305 billion
Projected Spending	<u>\$38.736 billion</u>
Balance	-\$ 4.431 billion

Expenditures for FY 2012-13 shown above include no adjustment for inflation unless such an adjustment is specified in law. The February 2009 forecast rate of inflation was 2.2 percent for FY 2012 and 2.4 percent for FY 2013. A “current law” budget can be enacted without adding amounts for inflation, but inflationary pressures will still exist in various programs. If the inflation rates in the February forecast were applied to the projected FY 2012-13 expenditures, those expenditures would increase by about \$1.3 billion.

Also, the Governor vetoed funding for the general assistance medical care (GAMC) program but the program remains in law. To fully restore that program in FY 2012-13 would cost \$889 million.

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